MULTIMEDIA UNIVERSITY

STUDENT IDENTIFICATION NO

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# MULTIMEDIA UNIVERSITY

# FINAL EXAMINATION

**TRIMESTER 2, 2015/2016**

## TEC1361 – ECONOMICS

( All sections / Groups )

12 MARCH 2016
2.30 p.m – 4.30 p.m
( 2 Hours )

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**INSTRUCTIONS TO STUDENT**

1. This question paper consists of 2 pages with 4 Questions only.

2. Attempt **ALL** questions. All questions carry equal marks and the distribution of the marks for each question is given.

3. Please write all your answers in the Answer Booklet provided.

**QUESTION 1**

(A) Describe the following terms using an appropriate example.
   (i) Microeconomics and macroeconomics
   (ii) Positive analysis and normative analysis

(8 marks)

(B) Explain and illustrate graphically each of the following model:
   (i) Production Possibilities Frontier
   (ii) Circular Flow Diagram

(8 marks)

(C) Explain and illustrate graphically the microeconomic market equilibrium, surplus and shortage.

(9 marks)
**(Total marks: 25 marks)**

**QUESTION 2**

(A) Explain how consumers choose goods and services to maximize their utility using the rule of equal marginal utility per dollar spent.

(5 marks)

(B) Explain and illustrate graphically the average total cost, average variable cost, average fixed cost and marginal cost.

(10 marks)

(C) How does pure competition differ from pure monopoly in terms of its basic characteristics and efficiency?

(10 marks)
**(Total marks: 25 marks)**

**QUESTION 3**

(A) Describe the following macroeconomics terms:
   (i) Gross Domestic Product (GDP)
   (ii) Unemployment
   (iii) Inflation

(9 marks)

(B) Explain and illustrate graphically the difference between short-run and long-run macroeconomic equilibrium using the aggregate demand and aggregate supply model.

(16 marks)
**(Total marks: 25 marks)**
**Continued.....**

## QUESTION 4

(A) Define money and discuss the four functions of money.

(6 marks)

(B) Describe the monetary policy targets using the concepts of expansionary and contractionary monetary policies.

(10 marks)

(C) Describe the following exchange rate system:

(i) Floating currency
(ii) Managed float exchange rate system
(iii) Fixed exchange rate system

(9 marks)

**(Total marks: 25 marks)**

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